

REPORT OF THE COMMITTEE ON AGRICULTURE AND LANDS FOR THE FIRST SESSION OF THE TENTH NATIONAL ASSEMBLY APPOINTED ON WEDNESDAY 8TH NOVEMBER, 2006

Consisting of:

Mr R Muntanga, MP (Chairperson); Mr B Hamusonde, MP; Mr B Bwalya, MP; Mrs A C K Mwamba, MP; Major C K Chibamba, MP; Mr H Mwanza, MP; Dr C A Njobvu, MP and Mr M M Mabenga, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee have the honour to present their Report for 2007.

FUNCTIONS OF THE COMMITTEE

2. The functions of your Committee, as set out in the National Assembly Standing Orders, are as follows:

- (i) study, report and make recommendations to the Government, through the House, on the mandate, management and operations of the Ministry of Agriculture and Cooperatives and the Ministry of Lands, Departments and/or agencies under their portfolio;
- (ii) carry out detailed scrutiny of certain activities being undertaken by the Government Ministries, departments and or agencies under their portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- (iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation; and
- (iv) consider any Bills that may be referred to them by the House.

Your Committee also enjoys all the privileges, immunities and powers of Sessional Committees as provided for in the National Assembly Standing Orders, the Constitution of Zambia and the National Assembly (Powers and Privileges) Act, Cap 12 of the Laws of Zambia.

MEETINGS OF THE COMMITTEE

3. Your Committee held Eleven meetings during the period under review and undertook local tours.

COMMITTEE'S PROGRAMME OF WORK

4. At their third meeting held on Thursday, 15 February 2007, your Committee considered and adopted the following programme of work:

- (a) Consideration of outstanding issues from the Action-Taken Report on the Committee's Report for the year 2006; and
- (b) Consideration of the following topical issues:
 - Agricultural Marketing System in Zambia; and
 - Agricultural Financing in Zambia

OPERATIONS OF THE COMMITTEE

5. Your Committee requested detailed memoranda from the relevant Government Ministries, parastatals, professional bodies, non-governmental organisation (NGOs) and interested individuals and then invited their Chief Executives to appear before them to make oral submissions and clarifications on issues concerning their submissions.

Your Committee's Report is in four parts. Part I consists of submissions on Agricultural Marketing System in Zambia. Part II consists of submissions on Agricultural Finance in Zambia. Part III consists of the Tour Report. Part IV is your Committee's consideration of the Action-Taken Report on the Report of 2006.

PART 1

CONSIDERATION OF TOPICAL ISSUES

1.0 AGRICULTURAL MARKETING SYSTEM IN ZAMBIA

6. Your Committee, concerned about the numerous complaints by the larger farming community, resolved to study the Agricultural Marketing system in the country by; reviewing the performance of the Food Reserve Agency since its inception, scrutinising the problems that farmers are experiencing in the acquisition of inputs and sale of their produce; studying the role of the cooperative movement in the current marketing/input distribution system and recommend ways of improving the system in a manner that will motivate farmers and increase productivity in the sector. In order to help them in their consideration of the topic, your Committee invited the following witnesses:

- (i) the Zambian Women in Agriculture;
- (ii) the Food Security Research Project;
- (iii) the University of Zambia, School of Agriculture;
- (iv) the Zambia Cooperative Federation;
- (v) the Nitrogen Chemicals of Zambia;
- (vi) the Zambian Fertilizers;
- (vii) the Bridgeway Commodities Limited;
- (viii) the Agricultural Consultative Forum
- (ix) the Zambia National Farmers Union; and
- (x) the Ministry of Agriculture and Cooperatives.

SUBMISSIONS BY THE WITNESSES

7. Your Committee heard that a good marketing system was one that was able to benefit consumers, producers and the government. To achieve this equilibrium, a lot of factors were at play including the scale of production as well as types of buyer i.e. are they private or Government. It was stated that at independence, the National Agricultural Marketing Board (NAMBOARD) was the sole player in the market. Today, the private sector is being encouraged to perform marketing functions alongside the public sector.

Your Committee were informed that a key feature in Zambian Agriculture was that smallholder farmers accounted for a major portion of the nations' food security. More than half of the small holder farms were a hectare in size and a quarter were less than 0.5 hectares. Typically, these small holder farmers were sparsely dotted all over the country. The state of infrastructure in these areas was very poor, most of the feeder roads were in very bad state and the storage facilities were either non existent or needed to be rehabilitated.

It was pointed out that with such a background, and noting the fact that there was an inherent dichotomy in the marketing sector, with small

holder traders facing an underdeveloped informal marketing system, while the large-scale commercial traders had access to a formal marketing system, the small holder farmer was more exposed to market risks and uncertainties and that their future lied in the ability to integrate the informal sector into the formal sector, citing “warehouse receipt programme” as one way that could go a long way in helping farmers reduce inter-temporary price risks while maintaining crop quality.

1.1 POLICY DIRECTION

8. Your Committee heard that most of the problems that farmers were experiencing today were due to inconsistencies by government on policy direction. The private sector was not participating as fully as possible in the purchases of crops because of lack of direction by the government. The private sector was almost always not sure of what the next government action would be with respect to crop purchasing, input distribution and trade policy. Such a discretionary policy environment was hurting the integrity of the market and increasing the risk associated with private investment, saying the rules behind government’s entry and exit decisions through the Food Reserve Agency (FRA) were not fully understood by the private sector. In addition, export bans and import tariffs were also imposed and implemented in a discretionary fashion.

1.2 PERFORMANCE OF THE FOOD RESERVE AGENCY IN THE CURRENT MARKETING SYSTEM

9. Your Committee heard that FRA was distorting the maize prices on the market and thereby frustrating the private sector, pointing out that higher maize prices actually hurt the majority of the population who were the net maize buyers. At regional level, Zambia was losing export opportunities too, especially to the Democratic Republic of Congo through her uncompetitive price structure.

It was stated that it was illogical for both FRA and the private sector to be buying maize in areas of convenience especially along the line of rail saying FRA should rather be servicing the remotest parts of the country since they had government mandate.

1.3 STRATEGIC RESERVES OF MAIZE

Your Committee heard that relying on regional trade was more cost effective than holding very large costly strategic stocks. The Co-ordinator (Agricultural Consultative Forum) said the size of strategic stocks need not be more than two to three months because this would be long enough for Government to take alternative action should needed arise, adding that it was imperative for the Government to have timely information to make import/export decisions.

1.4 THE ROLE OF THE COOPERATIVE MOVEMENT IN THE CURRENT MARKETING SYSTEM

10. Your Committee learnt that in 1973, the idea of encouraging the formation of multipurpose cooperative societies was hatched and the apex organisation called the Zambia Cooperative Federation (ZCF) was established. The apex organisation had a four tier structure consisting of primary cooperative societies, district unions, provincial unions and ZCF at the apex.

Your Committee was informed that the current Membership was 1000,000, implying that on average, the cooperative movement was serving a total population of 5,000,000 people countrywide. The movement was therefore, better positioned to handle crop marketing in a more efficient and effective manner compared to the current situation.

Your Committee were told that the cooperative movement, just like other private sector players did not have well prescribed and or specific areas of involvement in the marketing system. It was explained that the main player was the Food Reserve Agency (FRA) who, by an Act of Parliament was supposed to perform duties of maintaining strategic food reserves and that on the contrary, FRA was now purchasing crops at farm gate, acting as warehouse manager as well as managing stock reserves. Because of these rules and the structure of FRA, together with budgetary constraints, not every crop was purchased from farmers, resulting in crop wastage and heavy losses on the part of farmers.

Asked what difference the movement would make in the marketing chain if the role was given to them, the Managing Director (ZCF) stated that as long as government provided storage facilities and road infrastructure, the exercise would be done smoothly because the farmers themselves were the cooperative members covering the entire country.

1.5 THE ROLE OF THE FOOD RESERVE AGENCY

11. Your Committee learnt that the Food Reserve Agency (FRA) was established in 1996 by an Act of Parliament known as the *Food Reserve Act of 1995* (Act No. 15 of 1995).

The functions of the Agency then included:

- administration of National Food Reserves;
- management of storage facilities;
- establishing and operating a market information system;
- promoting use of weighing and grading standards; and
- registration of traders and processors and input distribution.

In 2005, the Food Reserve Act was amended (Act No. 20 of 2005) to provide for the inclusion of marketing and trading of designated agricultural

commodities. The amendment was also to provide for the exclusion of the registration of traders and processors and for the establishment and operation of a market information system except for designated crops. These crops included: maize, paddy rice, soyabeans, cassava chips and groundnuts.

Your Committee learnt that at its inception in 1996, FRA inherited two million tonnes of agricultural storage capacity, various grain handling equipment and residential properties located in various parts of the country.

Since then the FRA had embarked on the implementation of some of its mandates. On the market information system, the agency produces a monthly bulletin containing agricultural commodity prices and the supply and demand situation on the domestic market. The Agency has also been collaborating actively with the Zambia Bureau of Standards and so far, grades for maize have been developed. However, in the area of registration of traders and processors, difficulties have been faced because of the agency's lack of capacity to penalise those that do not comply with the requirements of the *Food Reserve Agency (FRA) Act*. On the other hand, when FRA became more involved in crop marketing and trade, it became difficult to obtain accurate information on stocks held by processors and traders because FRA was viewed as a competitor. This has created mistrust and suspicion between processors/traders and FRA.

Your Committee were informed that from 1999 to 2003, FRA was given an additional responsibility by the Government to operate an agricultural input credit scheme, causing a significant diversion from the core function of establishing and administering a national food reserve. During the 1999/2000 season, the fertilizer programme made a US\$10 million loss due to low repayment rates (34.5%). In spite of the loss, the programme continued and by 2002 FRA borrowed US\$52,000,000 from Nedbank and Amalgamated Bank of South Africa (ABSA) to finance the fertilizer scheme on behalf of the Government. Although the Government took over the debt, FRA will have to pay this loan to the Ministry of Finance and National Planning beginning May, 2008.

The Executive Director (FRA) submitted that until 2001, FRA's participation in crop marketing was limited to importation of maize to meet Zambia's shortfalls. Poor maize production and lack of proper market regulation made it difficult for the international players and major traders to engage in rural maize marketing. Over the years, with an improvement in funding, FRAs participation on the domestic market in terms of marketable surplus has increased to about 10%, meaning that the bulk of the maize crop is still marketed by the private sector. The Agency started with an initial ten buying locations; last year the number of depots was sixty supported by 440 satellite depots and mobile purchase operations. The aim was to service more farmers and making the markets more accessible by reducing distances between main and satellite depots.

1.6 CHALLENGES

12 Your Committee were informed that in carrying out the foregoing operations, the Agency faced some hurdles or challenges. In line with the Government policy of building the capacity of the private sector, FRA contracted the private sector to provide various services to the farmers on its behalf. These services included fumigation, quality inspection, warehouse managers (cooperatives) and transporters.

The management of quality standards of maize had however been poorly handled. Most of the fumigators that were contracted were ill equipped and could not appropriately follow the standards of fumigation.

The demand for transportation services had increased over the years as more and more satellite depots were opened. However, major transporters were urban based and did not have suitable trucks that could operate in rural areas where the road network was poor.

Although preference was given to the cooperative movement to perform the role of warehouse managers, it was pointed out that the system was weak given the fact that they were just reorganising themselves after the collapse in the early 1990s.

It was mentioned that it was imperative for FRA to strengthen its staffing position so as to effectively carry out their operations because the responsibilities had expanded to cover all the nine provinces. The Fifth National Development Plan (FNDP), projects scaled down budget support to FRA by 2009 and a possible wean off by 2011.

Your Committee further heard that although a self sustaining situation would be ideal and desirable for FRA, the costs associated with building and maintaining reserve carry-over stock from one season to another were enormous. The costs were inevitable and included losses attributed to spoilage due to stock shrinkage, spillage and storage costs. With these costs being incurred from one season to another, it was not possible for FRA to maintain the same levels of reserves without re-capitalisation support from the public sector.

Asked why the storage facilities in the rural areas were not properly maintained, the Director said it was due to lack of use, saying the increase in production will result in the use of the facilities and ultimate maintenance.

As regards the long distances to marketing depots which farmers were subjected to in the previous marketing seasons, the Director stated that it was due to low funding and also that the funds were released late.

On the issue of ghost farmers the Director explained that the only way to solve the problem was to increase the number of satellite depots and for the current season, every district will on average have 10 depots; stating that

the cooperative movement was better placed to conduct marketing in a more satisfactory way because of their geographical spread.

Regarding the adequacy of the current price of K38,000 per bag, your Committee were told that the Ministry together with other stake holders consulted widely before computing the floor price. The break even price for all the categories of farmers was also considered, adding that for the current season the breakeven prices were as follows: Large scale commercial farmers K36,000, medium scale K28,000 and the small scale K31,000 per 50kg bag.

On the issue of moulding blocks on the storage slabs, your Committee heard that such contracts were entered into for purposes of raising money for FRA to meet operating expenses. The contracts had since been terminated and the people were told to leave the premises.

In updating your Committee on the status of the silos in the country, it was explained that the life of a silo was fifty years and the silos in the country were very old. The cost of repairing one silo was two million USA Dollars and a programme had been initiated to repair all of them. The Lusaka silo will be rehabilitated in 2007 while the Kitwe, Ndola, Kabwe and Choma will be rehabilitated in the next two years. The Monze silo will be the last one to be repaired because it required some investigations to establish if it could be repaired or not since it was tilted.

The Director stated that currently Food Reserve Agency had available 1.1 million tonnes of serviceable storage capacity located throughout the country. About 40% of this space, or 452,00 metric tonnes of the available 1.1 million tonnes was leased out to the private sector.

Your Committee noted that FRA could be used to ensure fair prices to farmers and as a vehicle for social welfare for rural farmers. They observed that the Government should use agricultural marketing (through cooperatives) as a vehicle for social welfare in order to reduce poverty in the country.

2. FERTILIZER DISTRIBUTION IN ZAMBIA

(a) Nitrogen Chemicals

13. The Executive Director submitted that the fertilizer market in the country was relatively small and had fluctuated considerably over the years. The fluctuations were due to supply shortfalls and unfavourable weather conditions. Prior to the 1990s, supply averaged 210,000 metric tonnes of product with a peak of 310,000 metric tonnes in 1989/90 season. Following the liberalization of the economy and the fertilizer industry in particular, supply and consumption of fertilizer declined to an average of 156,785 metric tonnes.

Your Committee were told that the fertilizer demand in the country was seasonal, with 80 to 90 per cent of the fertilizer being procured by farmers during the main (rain) season from September to January of the following calendar year. The other 10 to 20 per cent was used on irrigated crops largely by commercial farmers for planting around April, and May.

2.1 CONSUMPTION PATTERNS

14. It was explained that 60 to 70 per cent of total consumption was attributed to small scale farmers who mainly relied on government seasonal loans. The remaining 30 to 40 per cent was ascribed to the commercial farming sector that included medium scale farmers and traders.

Your Committee were informed that there were three major categories of farmers, namely, small scale, medium scale or emergent and large scale commercial. The small scale farmers cultivate less than five hectares and depended mostly on family labour, simple hand tools and in some cases oxen, with low level of agricultural inputs. The category produces primarily for subsistence.

Emergent or medium scale farmers cultivated more than five but less than twenty hectares and sold about 50 per cent of their crop output. These farmers use oxen, ploughs, improved seed and pesticides.

The large scale commercial farmers cultivated more than twenty hectares and typically sold 90 per cent of their produce. The farmers were mostly located along the line of rail or near urban centers. They used mechanical farming equipment and employed modern agricultural practices.

Your Committee were told that fertilizer product mix in Zambia was characterised by the use of high quality compound Nitrogen-Phosphorus-Potassium (NPK) for basal dressing; and urea, ammonium nitrate and calcium ammonium nitrate (CAN) for top dressing.

It was stated that Nitrogen Chemicals of Zambia had facilities for the manufacture of basal dressing fertilizers of various formulations and ammonium nitrate top dressing fertilizer, but that currently only compound D basal dressing fertilizer was being produced at the plant.

The witness explained that the raw materials, Di-ammonium phosphate, muriate of potash and ammonium sulphate were currently being sourced from the Republic of South Africa (RSA). Ammonium sulphate could be produced locally after rehabilitation of the Ammonia and Sulphuric Acid plants. Coal which was another major input in the fertilizer production process was procured locally from Collum Coal mine and Maamba Collieries in Southern Province, while Gypsum was sourced from Chambishi Metals on the Copperbelt Province.

2.2 **DISTRIBUTION NETWORK**

15. Your Committee heard that Nitrogen Chemicals was currently present in three provinces, namely, Central, Lusaka and Southern. In Central Province the outlets were at the Tanzania Zambia Railways (TAZARA) goods shed in Mkushi and Mumbwa Township; in Lusaka, the outlets were Contract haulage yard, Soweto, Plant site and Kafue town while in Southern Province the outlet was Choma Township.

In recognising the above outlets, it was pointed out that the pattern of fertilizer distribution was, by and large, influenced by the category of farmer. There were small-scale farmers who accessed NCZ fertilizers through traders from Chingola, Luanshya and Ndola on the Copperbelt; Kabwe and Kapiri Mposhi in Central Province, Kasama, Mpika and Nakonde in the Northern Province, while in Southern there was Monze and Mazabuka. In addition, a considerable number of small scale farmers were currently accessing the fertilizer through the Ministry of Agriculture and Cooperatives under the Fertiliser Support Programme (FSP).

In the meantime, the pattern was totally different from the commercial farmers who may either pick up fertilizer from NCZ outlets or even imported it from outside or made arrangements with other suppliers like Omnia and Bridgeway commodities who supplied them fertilizers on credit terms.

Your Committee heard that NCZ was looking at three basic ways of improving fertilizer distribution, namely:

- the engagement of local retailers and traders as stockists or agents;
- close collaboration with the cooperative societies since they were geographically wide spread in the country; and
- the building of customer confidence and trust so that once an agreement to transact had been made, both parties should be able to honour their obligations.

Your Committee wondered what was causing the unsatisfactory performance of the company. It was explained however, that the Company was coming from a background (1998/99) where it was not producing anything to a situation where in 2006, 36 000 metric tonnes was produced, and for 2007, about 65 000 metric tonnes had been targeted plus the commencement of Ammonium Nitrate production.

Your Committee noted that there was need for NCZ to produce and distribute fertilizers throughout the year rather than on a seasonal basis.

2.3 **OPERATIONAL PROBLEMS**

16. The Executive Director submitted that, a lot of liquidity problems started when the company failed to pursue its debtors. He said some of

these agents were just briefcase businessmen with no credible record of their business standing.

Your Committee then wanted to know how the Company was using the funds that the Government had been providing on a yearly basis and specifically referred to the twenty billion Kwacha allocation for the year 2006. In reply, the Chief Executive indicated that from that allocation, there was an amount that went into rehabilitation of the plant, another amount towards the purchase of motor vehicles and the rest was used to order raw materials; adding that although these materials were ordered, they were actually not supplied.

(b) **Zambian Fertilizers**

It was submitted that Zambian Fertilizers was established in August, 2004 to satisfy the need for crop specific fertilizers such as for Bananas, Tomatoes, Cabbage, Potatoes, Soya beans, Fruit trees and Lawns. The shift from standardized fertilizers meant an increase in farmer's yields. From the time of inception, the company had increased production from 5000 tonnes to 8000 tonnes, serving over 2000 farmers.

2.4 **MARKET SHARE**

17. Your Committee were informed that 50% of total business was distributed by Retailers, Stockists and Agents who were based in major towns of most provinces while 15% accounted for more than 1500 farmers from around Lusaka who bought direct from the factory. The remaining 20% could be divided into two: Traders and Non Governmental Organisations dotted all over the country.

In fulfilling the foregoing distribution network, it was explained that the Company faced a lot of challenges, such as inadequate financing for stockists, resulting in stocks running out especially during the heavy sales months of November to January. In certain instances, it was very difficult for farmers to make quick decisions because either they had not yet been paid for their previous produce by the Food Reserve Agency (FRA) or had to wait to see if they would qualify for the subsidised Government fertilizer.

It was pointed out that the transportation of fertilizer was problematic due to inefficiencies in the system. Sometimes wagons got lost or were not available. In addition, the shipment out of Dar-es-Salam was a problem because the rail line ended at Kapiri Mposhi and would need reconsignment to be trucked to Lusaka. Hence the process, increased the cost of fertilizer.

Asked why the Company allowed heavy losses in the Eastern Province and why they have not recovered the goods; the Managing Director stated that there was a problem of selecting the right agents and that there was no legal provision in the contract to address the problem.

(c) Bridgeway Commodities Limited

Your Committee heard that the main source of their compound fertilizers was Sasol, Republic of South Africa. These fertilizers included compound S, compound W, compound T, compound super R, Compound B and compound super D. On the other hand the Top Dressings which were urea, calcium ammonium nitrate, potassium nitrate, sulphate of potash, magnesium nitrate, muriate of potash and magnesium sulphate came from various countries including Germany, Ukraine, Chile and Israel.

Your Committee learnt that Bridgeway Commodities Limited did not have a distribution network for its fertilizers. The farmers themselves made their own arrangements to pick up the commodity from the premises especially for the compound fertilizers. In the case of urea, it was sold from the Lusaka, Mpongwe and Mkushi depots only.

Asked why the Company had not spread out to rural areas to provide service to farmers, the Director stated that at one time attempt was made to engage agents at provincial level. However, due to administrative and operational problems, the Company made huge losses such that there was no option but to withdraw from the provinces.

OBSERVATIONS AND RECOMMENDATIONS

Observations

18. Your Committee observe as follows:

- the bulk of the crops in the country is produced by small scale farmers who are sparsely located all over the country;
- there is poor road infrastructure network in the rural productive areas;
- there is a vacuum left by Namboard and the co-operative movement which is causing hardships among farmers to sell their produce;
- there is no policy direction in the marketing of Agricultural produce, therefore, unscrupulous traders have taken advantage and are ripping off the farmers;
- the roles of the Food Reserve Agency have not been clearly spelt out; this is evidenced by the size of the labour force which does not match the tasks that the Agency is performing, leading to subcontracting;
- the problems of Nitrogen Chemicals are not only operational in nature but also managerial;
- most of the fertilizer distributors are concentrated along the line of rail;
- the poor railway system is responsible for the inefficient transportation of the fertilizers in the country; and
- the poor road infrastructure in the rural areas is discouraging the effective participation of private traders in the marketing exercise.

Recommendations

19. Your Committee, in view of the foregoing observations, recommend as follows:

- the Ministry of Agriculture and Cooperatives should strengthen the cooperative movement and fill the gap that currently exist in the marketing system so that district cooperative unions take over the role;
- there is need to encourage settlement schemes to have farmers located in specific areas for easy input distribution and crop marketing;
- the Government should put in place a system that will ensure proper maintenance of feeder roads to facilitate efficient input distribution and crop purchasing;
- there is urgent need to have policy guidelines on crop marketing so that all the players follow the laid down rules to ensure a systematic marketing system that will protect the farmers;
- the Food Reserve Agency should be given specific rules of maintaining strategic reserves in accordance with the Act;
- the Nitrogen Chemicals of Zambia should be privatised so that the Government does not continue spending tax payers money endlessly;
- the Government should encourage fertilizer dealers to be present in all the districts of the country to lessen the problems of shortages of fertilizers in the rural areas; and
- the Government should ensure that Tanzania Zambia Railways and Railways Systems of Zambia are interconnected and operate efficiently so as to reduce transportation costs on reconsignments at Kapiri Mposhi.

PART II

3. AGRICULTURAL FINANCE SYSTEM IN ZAMBIA

20. In appreciating the fact that farming is not a cheap venture, your Committee resolved to study how the farmers finance their farming operations in terms of their sources of funds, their ability to pay back and the problems being encountered in sourcing such funds; and recommend ways of improving accessibility of funds to farmers. To help your Committee undertake this study, the following witnesses were invited to make both oral and written submissions:

- Zambian Women in Agriculture;
- Food Security Research Project;
- Zambia Co-operative Federation;
- the University of Zambia School of Agriculture;
- the Agricultural Consultative Forum;
- the Bank of Zambia;
- Bankers Association of Zambia;
- Zambia National Farmers Union; and
- Ministry of Agriculture and Cooperatives.

SUBMISSIONS BY WITNESSES

21. Your Committee heard that before 1992, the Lima Bank, Zambia Cooperative Federation-Finance Services, the Credit union and Savings Association (CUSA), the National Savings and Credit Bank (NSCB) the Small Enterprise Development Board and the Village Industry Service (VIS), were the major providers of rural finance services.

The Government had strong control and direction of these credit programmes such that loan acquisition, interest rates to be charged on loans and the type(s) of agricultural activity towards which such loans were to be applied was determined by the Government. The approach led to some recipients treating the loans so advanced as free handouts from the Government to an extent where the capital base was eroded.

Following the liberalisation of the economy in 1992, the Government support for these institutions, apart from the National Savings and Credit Bank (NSCB) reduced or ceased altogether; resulting in their collapse.

The collapse of these institutions created a huge gap in the provision of financial services to low income households especially those in the rural areas. In addition, the commercial banks, which had branches in peri-urban and rural areas closed down most of the branches due to what they termed to be lack of business and high operational costs.

Your Committee were told that commercial banks preferred lending to traders and big farmers due to a number of factors including:

- the high risk of failure and high probability of loan default associated with smallholder farmers
- the high transaction cost of dealing with many small loans over a wide geographical area, and
- the lack of banking history and inability to meet the requirements for credit facilities for most of the rural population.

According to the 2003 Bank of Zambia survey on commercial banks risk appetite towards various sectors of the economy, the agricultural sector was given the highest risk classification on account of unpredictable output due to heavy dependence on weather patterns, high market risks, historical loan repayment delinquencies, low quality of security and the unsupportive legal framework in case of default.

3.1 SOURCES OF FUNDS FOR SMALL SCALE FARMERS

22. Your Committee learnt that as a result of the above scenario, government and donor funded projects continue to be the main sources of funding for small holder farmers through programmes like the Fertiliser Support Programme and input packs.

However, it was stated that the agricultural sector being a challenging sector with regard to the provision of financial services, financial institutions needed special preparedness and innovation of how to take account of the high risk rating which has been assigned by the financial institutions. An example cited was the Zambia Agriculture Marketing Processing and Infrastructure Project (ZAMPIP) funds which could not be fully utilised due to various technical reasons including the following:

- Participating financial institutions regarded agricultural lending as highly risky.
- One of the conditions of the project was that participating financial institutions bore 100% of the risk and
- Participating financial institutions argued that interest rates at 80% Bank of Zambia Base Rate for Kwacha denominated loans and 12 months London Inter Bank Offer Rate (LIBOR) for foreign currency denominated loan were too high

NEW INNOVATIONS

23. Your committee were informed that the cooperative movement which played an important role in rural financing prior to liberalisation, was re-emerging together with micro-finance institutions and agricultural marketing companies promoting out-grower schemes to fill the gap. The institutions were developing new ways of reaching out to small farmers, but were still in their infancy and therefore required complimentary support to enable them transform the agricultural potential into an engine of economic growth.

It was noted that the gap left by commercial banks in respect of financing small scale producers had been taken up by micro-finance institutions and pointed out that unless certain steps were taken to facilitate micro-finance activity in the rural areas, the institutions may face bottlenecks in their operations. The bottlenecks highlighted included:

- Low entrepreneurship skills among clients – the rural population.
- Inadequate regulatory framework.
- Poor infrastructure in rural areas which create serious accessibility problems.
- High cost of delivery due to low population density in rural Zambia.
- Poor credit culture, leading to low repayment rates.
- High client dropout rate.

STATUS OF AGRICULTURAL CREDIT SCHEMES IN THE COUNTRY

24. Your Committee learnt that the Bank of Zambia had on many occasions been appointed to administer various projects, including the Zambia Agricultural Marketing Processing and Infrastructure Credit Facility (ZAMPIP), the Enterprise Development Project (EJP) and the Agricultural Development Support Project (ASDP). It was observed that it was important that the structural rigidities which inhibited the efficient financing of agriculture were minimised, adding that the Bank of Zambia had to that effect introduced initiatives specifically targeted at the enhancement of the agricultural sector. The initiatives were outlined as set out below.

(a) Lower Statutory Reserve Requirements

This requirement effectively lowered the reserve ratio on kwacha deposit liabilities faced by the commercial banks lending to the agricultural sector. This meant that more funds would be available amongst the commercial banks for on-lending to the agricultural sector. It was expected that in view of the greater availability of funds, the said funds would be extended at lower rates than those prevailing before the introduction of this measure.

(b) Credit Reference Bureau

The poor credit culture in Zambia was recognised by the 2002 Financial Sector Assessment Programme (FSAP) as one of the major causes of the collapse of banks during the mid 1990's.

In 2006, a license was issued to Credit Reference Bureau Africa Limited (CRBAL) and it is expected that the establishment of the Bureau will help address the poor credit culture that has hitherto been prevalent in Zambia.

(c) **Risk Management Guidelines**

The guidelines set out the minimum risk management standards which will assist banks to identify, measure, monitor, mitigate and control their risks. It is expected that this will enhance risk management practices in the financial sector as a whole and thus contribute to a reduction in the level of non-performing loans.

In addition to the above, it was indicated that the Bank of Zambia was currently reviewing statutory instrument No. 142 of 1996 to ensure that it adopted best supervisory practice. The revised statutory instrument will take into account new developments in valuation of collateral, accounting standards and the Bank Capital Accord.

Your Committee heard that it has generally been stated that the vision to have an adequately regulated and diverse rural banking and microfinance sector that provided affordable financial services to support the productive activities of the rural and low income groups, required that the elements set out below are considered.

(i) **Improved Land Management and Delivery**

Small farmers need title to their land. Title deeds are an important aspect of credit arrangement to the agricultural sector since they are used as collateral for loans offered by financial institutions. At the moment, most farmers do not possess Title deeds to their land making it difficult to access any loans from financial institutions.

(ii) **Rural Institutional Development**

There is a serious inadequacy or non-existence of Financial Institutions in rural areas where most of the agricultural activity is based. This entails that more incentives should be provided for rural based institutions to encourage establishment and expansion of financial services provision in agricultural based communities.

(iii) **Legal Institutional Development**

Development of a fast and efficient tracking system for settlement of credit disputes as they arise is an important aspect towards improving availability of credit to the agricultural sector. This gives confidence to lending institutions that, in the event of failure to repay the loan, the legal process would be efficient and effective. Currently, most lending institutions perceive the justice system to favour borrowers.

As to why opportunities and initiatives that the Zambian Government was creating were not benefiting most indigenous Zambians, it was stated that when the Citizenship Empowerment Commission becomes operational, the Bank of Zambia will be directly supervising its operations and will ensure that indigenous Zambians start getting what is due to them. It was,

however, stated that Zambians needed to learn to use their resources for the purposes that they were meant for saying that, in that way, it became a lot easier even to honour credit obligations.

3.4 PARTICIPATION BY COMMERCIAL BANKS

25 Your Committee were told that the Development Bank of Zambia should be focusing on long term infrastructural development in equipment, Dams and roadwork's instead of competing with commercial banks. The Development Bank of Zambia must focus on long term and major projects which ordinarily commercial banks cannot be involved in.

It was stated that funding for maize purchases which the Government was involved in on a yearly basis could be made easier if the Government could issue bonds which could be used for maize purchases and can be self liquidating as the maize is sold in subsequent months. In that way, the Government would not have to worry about budgetary support for maize purchases. Farmers would be paid in time and Banks could finance farmers knowing that they would be paid.

Asked why Commercial Banks were not so prepared to lend money to farmers for their farming activities, it was stated that Banks were prepared to help even the small scale farmers as long as there was a management system in place, citing contract farming for cotton and tobacco as good examples of small farmers benefiting from the loans provided by the Banks. It was mentioned that several other reasons could be cited for the difficulties involved in the provision of loans to small holder farmers such as the widespread nature of the individual farmers. In comparison, Malawi where the rural people were concentrated in certain locations, taking financial services to such groupings was much easier.

On why Barclays Bank was now opening branches where they had pulled out earlier, the Managing Director (Barclays Bank) told your Committee that at the time when the country was going through a bad economic situation, it was not then viable to operate in certain parts of the country. Now that the economy was growing, the institution had budgeted for US\$25 million to be invested and ninety-two branches would be opened throughout the country. He explained that although previously credit facilities were restricted to salaried people only, eligibility has now been extended to anybody. The difficulty was to ascertain the stability of their incomes unless they were saving with Barclays Bank.

Your Committee heard that 30% of Barclays Bank's lending was apportioned to the agricultural sector. The Bank has over the years learnt lessons and now encourages lending up to a period of fifteen years. This allowed for stable and steady pay back especially for established farmers. The difficulty was the starter farmers who may spend 75% of their loan on capitalisation, leaving very little amount for actual production.

The Managing Director told your Committee that financing the agricultural sector in particular posed challenges requiring special innovations like the European Investment facility whereby guarantee for borrowed money was provided and any losses arising from non-payment were shared.

The Head, Branch Operations of Zambia National Commercial Bank (ZANACO) disclosed to your Committee that the Bank (ZANACO) was running a pilot project in Kapiri Mposhi, where 5 billion kwacha was allocated last year to procure inputs for small scale holder groupings and cooperative societies who were asked to pay up front, 50% of the value of their requisites as collateral. The Bank buys fertilizers and other inputs from Omnia, who then take the inputs to the farmers.

3.5 THE COOPERATIVE BANK

26. The Managing Director, (Zambia Cooperative Federation) submitted that the Cooperative Bank was incorporated on 18 August, 1989 when eight of the nine provincial unions and the Zambia Cooperative Federation (ZCF) subscribed a sum of K21 million as starting capital and was registered as a cooperative society under the Cooperative Societies Act Cap 689 of the laws of Zambia. Each provincial union was represented on the Board of the Bank except Western Province who did not subscribe for any shares.

The Bank started operations with two branches, Lusaka and Kabwe and later in 1994 in Chipata. It provided micro-finance services to the whole cooperative movement throughout the country.

During the first year of operation (1991/2), the Bank made an operating loss of K5.4 million, but during the subsequent years of 1992/93 and 1993/94 the Bank progressively made a net profit of K51.1 million and K383.5 million respectively.

Your Committee heard however, that the volatility of financial markets between 1994 and 1995 when a good number of Banks had closed, the Bank experienced an influx of withdrawals without any corresponding inflow of deposits. This led to serious cash flow problems for the Bank and by 1995/96 financial year, the Bank had made a provisional loss of K1.4 billion due to interest charges on overdrafts. In addition to this, the Bank of Zambia was offering treasury bills at rates more attractive than Bank deposit rates resulting in members opting for the attractive bills rather than supporting their own bank. Consequently, the shareholders had no alternative but to temporarily close its doors to the public to enable it reorganise and find avenues of sourcing funds.

Optimism was expressed that the Bank would soon reopen to the farmers and that once it was opened it would make a great difference in that now the small farmers would have access to micro credit which they did not have earlier, adding that because of the spread of the farmers in the country

they were capable of stimulating economic development in the agricultural sector.

3.6 SUSTAINABILITY OF THE FERTILISER SUPPORT PROGRAMME

27. Your Committee were informed that the Government through the Ministry of Agriculture and Cooperatives had been implementing the Fertiliser Support Programme (FSP) since 2001. The objective of the programme was to contribute to household and national food security. It was also envisaged that at the end of the programme, the farmers would have rebuilt their assets and savings to be able to participate in commercial purchase of inputs.

However, due to the absence of FSP staff and limited resources at provincial and district levels to supervise implementation, diversion of the inputs for unintended targets exists. This was exacerbated by moral hazard (corruption) of administrators, farmers and business houses. These weaknesses have derailed the initial plan of phasing out (weaning) the farmers every three years and therefore, presents questions of sustainability.

OBSERVATIONS AND RECOMMENDATIONS

Observations

28 Your Committee observe as follows:

- Zambians have yet to learn that a loan is not a gift and should be paid back;
- there is need to have a specialised institution to administer agricultural credit schemes to farmers.
- most farmers do not have title deeds to their land;
- the farming community is lacking cohesion and a motive to group approach in poverty reduction;
- there is lack of capacity building in business skills among farmers;
- the absence of a proper legal framework is discouraging lending institutions because the current laws are perceived to favour defaulters;
- the lack of a well structured warehouse receipt system is disadvantaging farmers in terms of borrowing because of lack of collateral;
- the lack of title deeds, warehouse receipt system and agricultural insurance schemes have raised the risks in the agricultural sector to levels where financial institutions are not kin to service small-scale farmers;
- there are few agricultural specialists in the finance sector; this aspect has contributed to the poor loan recovery rates in the sector;
- the objectives of the fertilizer support programme have not been attained in many areas and instead it has been grossly abused, much to the displeasure of farmers

Recommendations

29. Your Committee, in view of the foregoing observations, recommend as follows:

- the Government should sensitise the public to appreciate the importance of paying back loans;
- the Government should re-open the Cooperative Bank and encourage the establishment of other Agro based financial institutions to provide loans to small scale farmers in a most efficient and effective manner;
- the Government should facilitate issuance of title deeds to small scale farmers so that they can use them as collateral for their loans.
- the Government should encourage and strengthen the formation of farmer groups and cooperative societies which are perceived to be less risky in terms of loan acquisition;
- the fertilizer support programme should be re-designed into a micro-credit facility to provide seasonal loans to small scale farmers.
- the Ministry of agriculture and cooperatives should initiate an aggressive programme to impart Agri-business skills in the farming community so as to raise the levels of understanding and improve their management skills;
- the Government should revisit the legal aspects of loan defaulting so that financial institutions have easy means to recover loans in cases of default;
- there is need to amend the *Agricultural Credit Act* that will ensure the effective operation of a warehouse receipt system in order for farmers to use the receipt as collateral for their loans; and
- the Ministry of Agriculture and Cooperatives should encourage Financial Institutions to employ Agricultural Officers who should appraise the loan applications and provide extension services to borrowers.

PART III

4 TOUR REPORT

30. Your Committee undertook tours to the Eastern and Northern Provinces arising from the consideration of topical issues and met farmers and officers in the following areas:

(a) EASTERN PROVINCE

- Chipata - The Permanent Secretary and the Provincial Agricultural Coordinator
- Chama - Mpundu Village Farming Community
- Lundazi - Phikamalaza and Mwasemphangwe Farming Communities
- Katete - Mzime Farming Community
- Petauke - Nyamphande Farming Community

(b) NORTHERN PROVINCE

MPOROKOSO

- The District Commissioner and his staff
- Labani Village Farming Community
- Mabingu Farming Community
- Kapatu Farming Community

4.1 CHIPATA - The Permanent Secretary/Provincial Agricultural Coordinator

Your Committee were informed that crop marketing in the province had undergone transformation whereby crops like groundnuts were being sold to the public who were offering better prices than the Food Reserve Agency (FRA).

The Provincial Agricultural Coordinator (PACO) told your Committee that indications offered hope for marketing groundnuts because some South African companies had shown interest in the crop and offered attractive prices to farmers.

On maize marketing, it was stated that one way of minimizing the problem of long distances between buying depots was the use of mobile depots. The PACO was however, quick to point out that mobile depots were expensive to manage because certain areas did not have enough maize to warrant the transport costs.

Your Committee learnt that there were two companies in the province involved in the production and sale of tobacco, namely, Zambia Leaf and

Alliance 1. The PACO explained that the quality of the tobacco was so good that it had a huge demand in Malawi.

Your Committee were told that the tobacco companies were collaborating so closely that they had formed cartels which were working against the farmers. It was stated that in general terms, the number of tobacco and groundnut farmers had over the years reduced due to lack of market.

4.2 LIVESTOCK

Your Committee heard that the province had a problem of East Coast Fever, Trypanosomiasis, African swine fever in pigs, and Newcastle disease in chickens, among others.

Your Committee learnt that a total of 8375 cattle had been immunised against East Coast Fever under the African Development Bank (ADB) funds, saying immunization had proved to be cheaper than dipping.

It was explained that research had shown that goats were highly resistant to most diseases that affect cattle and therefore, that the ban on the movement of livestock from Eastern Province to Lusaka had been revisited so as to exempt goats. It was stated that Cabinet was expected to issue a memorandum to effect the lifting of the ban on goats.

4.3 Finance

Your Committee learnt that Eastern province was privileged by the presence of the African Development Bank (ADB) who had been assisting farmers with various forms of agricultural loans. About thirty-one billion kwacha was disbursed to farmers for various agricultural ventures.

In Lundazi, for example, ADB had funded an irrigation programme where a dam had been constructed and farmers in the area were being allocated plots to grow assorted crops of their choice.

Your Committee were informed that in spite of the well intended initiatives by the ADB, the projects were frustrated by the poor credit culture of the farmers. It was stated that out of the thirty-one billion kwacha loaned to the farmers, only nine billion kwacha had so far been recovered. One farmer who was assisted with three hundred million kwacha in the form of a hammer mill, oxcart, tractor and livestock has so far only paid back six million kwacha.

4.4 CHAMA DISTRICT - MPUNDU VILLAGE

Your Committee were informed that the area grew maize, groundnuts, cotton, cassava and sorghum. In spite of this, the Food Reserve Agency only bought rice, a crop which cannot be produced in the area because it was an upland.

Your Committee heard that the Food Reserve Agency does not buy maize from Chama because the District was declared a maize deficit area.

The farmers of Mpundu Village told your Committee that cotton was being grown under out-grower schemes and that three organisations were spearheading the schemes. The organisations were Cargill, Dunavant and Bechant. Cargill and Dunavant were offering the price of K1,120/kg while Bechant was slightly higher at K1,200/kg.

Asked what problems they were facing in their Agricultural activities; they stated the following:

- they had nowhere to sell their maize;
- the price of cotton was dictated to them by the providers of out-grower schemes, saying they were very low;
- the FRA only went there to buy rice and nothing more;
- they produced so much sorghum but had no where to sell the crop;
- their cooperative was experiencing difficulties to make any progress due to lack of marketing opportunities.

The farmers appealed to your Committee to help mitigate the problems of marketing sunflower, sorghum and maize. They indicated that it was their wish to grow sunflower in rotation with maize so that they could help maintain the productivity of their soils

On the Fertiliser Support Programme (FSP), your Committee were informed that last season, twenty-six primary cooperatives out of seventy-five benefited from the programme which, in terms of individuals, totalled 567 farmers.

Your Committee learnt that under the Rural Credit Facility, a component of ADB, a total of 700 million kwacha was disbursed to farmers in 2002 and so far only 180 million kwacha had been paid back, representing 27% recovery rate.

Asked why the recovery rates were so low, the District Agricultural Officials explained that some programmes were specifically targeted at the vulnerable in society who essentially could not manage to pay back the loans.

LUNDAZI DISTRICT – Phikamalaza Farming Community

The Paku Dam

31. The farmers of Phikamalaza informed your Committee that out of realisation of the help from ADB availed to them, they decided to rehabilitate the nearby dam which had been idle for a long time. The Dam which is now a show piece was providing the community with fish and vegetables grown through irrigation throughout the year. Your Committee noted however,

that the middle part of the dam needed reinforcement to avoid being washed away by current.

Asked what problems they were experiencing in their production and sale of their produce, they stated the following:

- seasonal provision of inputs and purchase of crops. The farmers cited Malawi which they said had a stable marketing system whereby crop purchasing and input supply was done throughout the year and did not segregate the kind of crops.
- the poor road infrastructure was making the process of input supply and crop marketing futile;
- the fertilizer support programme packs were not enough to meet the demand;
- the farmers who did not qualify for FSP fertilizers and other inputs have difficulties in accessing them especially that they are seasonal;
- the Food Reserve Agency had been reducing the prices of some crops e.g. groundnuts which was once at K2000/kg but was now K1000/kg;
- the lack of market for livestock such as pigs, goats and chickens;
- the lack of market for beans and soya beans;
- the long distances of, say, 30 kilometres between buying depots;
- inputs like livestock drugs should be subsidized as is the case for crops;
- the subsidies for inputs should not be segregative but be applicable to all Zambians; and
- the late beginning of the marketing exercise compels farmers to sell their crops to neighbouring countries.

Your Committee noted that the distribution of FSP fertilizers was grossly abused whereby the chairpersons of cooperative unions did not observe the first come first served principle but rather chose to give friends or relatives.

4.4.1 LUNDAZI DISTRICT - Mwasemphangwe Farming Community

32. Your Committee were told the following problems as being pertinent in their farming activities:

- (i) the Food Reserve Agency was reducing the prices of crops like soyabeans;
- (ii) the non availability of inputs throughout the year;
- (iii) the long distances between buying depots which they said was frustrating them;
- (iv) the poor road infrastructure was causing problems for them to access the markets;
- (v) the FSP packs were not enough to meet their demand;
- (vi) the lack of a Bank was creating problems for farmers to have to travel to the District Headquarters for payment for their produce.

4.5 KATETE DISTRICT – Mzime Farming Community

33. The farmers told your Committee that the problems they were facing included the following:

- (i) the lack of market for soyabeans, sunflower and groundnut;
- (ii) the long distances between depots resulted in farmers spending so much money on transport and thereby reducing their profit margins;
- (iii) the few depots that are opened resulted in overcrowding by the so many farmers leading to longer period of waiting, sometimes as long as 3 weeks;
- (iv) the poor road infrastructure which hampered accessibility to markets;
- (v) the FSP packs were very few to meet the demand by farmers;
- (vi) the bridge on the Mzime river which links the main farming area was washed away 2 years ago and no repairs have since been done;
- (vii) the lack of market for sunflower has forced farmers to sell to the private traders from the Boma who usually offer very low prices and thereby ripping off from them;
- (viii) the lack of market for livestock; and
- (ix) the lack of title deeds to their small holdings.

Your Committee noted that the Mzime farmers were anxious and eager to have a depot as they expressed willingness to construct a storage shed.

4.6 PETAUKE DISTRICT – Nyamphande Farming Community

34. The farmers stated the following problems to your Committee:

- (i) there was only one buying depot in the area, meaning that a lot of farmers had to travel long distances to reach the depot;
- (ii) the FSP packs were not enough to meet the farmer's demand;
- (iii) there was no market for sunflower and groundnuts;
- (iv) the empty grain bags were not enough;
- (v) the marketing period was very short leading to farmers selling to brief case businessmen;
- (vi) there was late payment after delivery;
- (vii) there was cheating by the providers of cotton out-grower schemes, whereby at the beginning of the season, they announced high prices of, say, K1200/kg and when the crop was almost ready for sale, the price was reduced to as low as K800/kg
- (viii) the non availability of fertilizers and other inputs throughout the year;
- (ix) the lack of business management and husbandry skills.

Your Committee were informed that the local depot had received 22000 x 50 kg bags of maize as of 2nd July, 2007 and the farmers had only been issued with produce receipt notes which did not show the value of the produce so delivered.

Your Committee instructed the District Agricultural Coordinator (DACO) to ensure that the Goods Received Notes (GRNs) were issued to farmers so that even if the crop was destroyed by anything, they could still claim their money.

On the issue of loans, your Committee learnt that ADB, through the Rural Investment Facility (RIF), disbursed K100 million to farmers for various activities such as poultry and goat rearing and that so far only K35 million had been paid back.

Your Committee noted that the lack of close supervision and capacity building for loanees was contributing to poor loan recovery rates in the country. They urged the District Agricultural Coordinator (DACO) to impart business skills and husbandry techniques in the farmers if they were to produce at profitable levels.

(b) **NORTHERN PROVINCE**

4.7 MPOROKOSO DISTRICT – The District Commissioner

35. Your Committee learnt that the Japanese Government in partnership with the Zambian Government were spearheading a project in the District known as PAVIDIA – participatory village development in isolated areas.

The other District benefiting from PAVIDIA in the province was Luwingu.

Your Committee heard that PAVIDIA was a programme that identified the potential of farming groups and set benchmarks to be met before the group was said to qualify. Upon qualification, 100 US Dollars per household was provided to be used on identified local resources for their activities.

4.7.1 LABANI VILLAGE FARMING COMMUNITY

Your Committee were informed that the village had formed a cooperative union called Mutotoshi Cooperative Union and comprised Mutotoshi youth Clubs and Katwiluke Women’s Club. The Youth club had recently qualified under PAVIDIA and were now keeping cattle, goats and running a shop.

Your Committee were told the following as the major problems the farmers were experiencing::

- the late start of the crop marketing exercise;
- the FRA was not buying soyabeans and instead was just buying maize and cassava;
- the lack of a market for beans, forcing farmers to exchange the crop with second hand clothes;
- the seasonal availability of fertilizers and other inputs; and
- the FSP packs were not enough to meet the demand.

4.7.2 MABINGU AGRICULTURAL CAMP

The farmers of Mabingu told your Committee the following problems:-

- the poor road infrastructure was frustrating them in the quest to transport their produce to the markets
- their area and the nearest buying point, which was the Boma, was 30 kilometres away and was said to be too far for them.
- there was no market for beans;
- the Food Reserve Agency was reducing the prices of crops e.g. cassava which was K25000/kg the previous year but was now K15000/kg

4.7.3 KAPATU FARMING AREA

The farmers stated the following problems to your Committee:-

- last season, the inputs were delivered very late, sometime in January;
- the seed, variety 604 which was supplied was infested with weevils, leading to poor germination and poor yields;
- since rains started in September, inputs were required by July/August of each year;
- the fertilizer supplied, especially "D" compound, was underweight;
- the buying of maize by FRA starts very later, claiming that the moisture content should be allowed to come down to 12.5%; and
- the late beginning of the buying exercise forces farmers to sell to traders at very low prices.

Your Committee noted that as of 6th July, 2007, FRA had not yet started buying maize in the District. The Committee recommended that crop purchasing commences on Monday, 9th July, 2007 without further delays. The moisture content for the two samples collected and tested in Lusaka was 10.2% and 11.8%.

Your Committee further observed that it was necessary for a well established Bank to be set up in Mporokoso to service the farmers in the District. They were of the view that NATSAVE which was present there may not properly handle Agricultural marketing issues.

OBSERVATIONS AND RECOMMENDATIONS

36 Your Committee's observations and recommendations are set out hereunder:

- (1) Your Committee observe that the ban on livestock movement from Eastern Province has adversely affected farmers rearing goats in the province.

Your Committee recommend the expeditious processing of the documentation to facilitate the exemption of goats from the ban.

- (2) Your Committee observe that the distances between depots, which average 30 kilometres in most cases, are frustrating the efforts of farmers due to transportation costs.

Your Committee recommend the stimulation of viable cooperative societies in all the major farming areas and set up depots in all these areas to ease the problem of transportation.

- (3) Your Committee observe that there is poor road infrastructure in the countryside, which is working against the marketing exercise.

Your Committee recommend that government institute a deliberate programme to rehabilitate all the feeder roads leading to production areas and hand them over to the Ministry of Agriculture and Cooperatives.

- (4) Your Committee observe that the Food Reserve Agency is not buying all the designated crops from some parts of the country

Your Committee recommend that a stable marketing system be formulated so that all the agricultural produce grown in the country should be bought so as to motivate farmers.

- (5) Your Committee observe that the recovery rates on monies borrowed are very low.

Your Committee recommend that lending institutions should screen and target their recipients properly followed by good extension work to ensure that correct husbandry techniques are applied and adhered to.

- (6) Your Committee observe that the supply of inputs to the farmers is done once in a year.

Your Committee recommend that inputs be made available to farmers throughout the year because many of them are now practicing irrigation farming which is non-seasonal.

- (7) Your Committee observe that drugs for livestock are very expensive for farmers to afford and be able to practice correct husbandry techniques.

Your Committee recommend that drugs be subsidised to make them affordable to most farmers.

PART IV

CONSIDERATION OF THE ACTION-TAKEN REPORT FOR 2006

37. From the Action-Taken Report, your Committee noted the responses on various issues raised in the previous report. However, your Committee requested further clarifications on the matters set out below.

- (i) The progress made on the drafting of the Lands Act and the policy document. The Government responded that the policy document was in circulation and also before Cabinet for approval. The Act would follow after the policy was approved so that the two are synchronised.

Your Committee note the urgency for the two documents to be in place so that the numerous disputes over land can be minimised.

- (ii) The progress made on the land audit exercise.

The Government responded by stating that the exercise had commenced in Lusaka, Southern, Copperbelt and Northern Provinces.

Your Committee observe that there is need to be updated every time to monitor the progress.

- (iii) The progress made on the office accommodation for the Lands Tribunal.

The Government responded by stating that they were still looking for suitable accommodation.

Your Committee recommend that space be found within the Mulungushi House Complex as soon as possible.

CONCLUSION

38 Your Committee are indebted to you, Mr Speaker, for appointing them to this Committee and for the guidance given to them throughout their deliberations. They further wish to express their gratitude to all the witnesses that submitted memoranda and appeared before your Committee.

Equally, your Committee wish to express their appreciation to the office of the Clerk for the Services rendered throughout their deliberations.

R Muntanga, MP
CHAIRPERSON

September, 2007
LUSAKA